

PetroChina buys entire Alberta oilsands project

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Athabasca Oil Sands Corp. has exercised its option to sell its remaining 40 per cent interest in the MacKay River oilsands project to a unit of Chinese oil giant PetroChina for about \$680 million.

The deal, announced Tuesday, gives PetroChina full ownership of MacKay River project, one of the newest of northern Alberta's oilsands developments.

It continues a trend that has seen Chinese companies acquire miners, energy producers and other resources companies in Canada and around the world to secure future supplies of minerals, steel, oil and gas and other raw materials for its rapidly growing economy.

Athabasca had sold PetroChina a 60 per cent stake in the project last year.

Regulatory approval

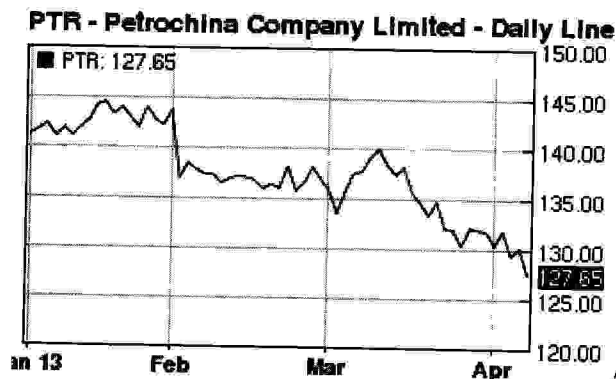
Two weeks ago, the Alberta Energy Resources Conservation Board and Alberta Environment and Water approved the project.

Athabasca said it decided to sell its remaining stake in MacKay River "because it believes the long-term prospects of the company are enhanced by deploying its capital and resources into its other development projects."

The Calgary company said it will save about \$190 million in capital spending this year from the divestiture.

Sveinung Svarte, president and CEO, said that since the company sold control of the MacKay River project last year, it has grown and diversified and has other oil and gas prospects to develop.

"We added approximately three billion barrels of contingent resource (best estimate) through successful drilling and acquisitions, reaching approximately 10 billion barrels of contingent resources," he said.



Three-month stock chart for PetroChina. (CBC)

"We grew the resource base of the Hangingstone asset area, which the company estimates now has the potential to produce more than 80,000 barrels of bitumen per day. As a result, we accelerated the timing of development for this project and first production is expected in 2014.

Svarte said the company has also acquired more than 1.7 million acres of promising light oil and liquids-rich natural gas properties and is targeting targeting a production rate of 8,000 - 10,000 barrels of oil equivalent output a day by the end of this year.

Bill Gallacher, chairman of the Athabasca board, said the company plans to diversify its operations with more non-oilsands developments.

"Our strategy is to ultimately achieve approximately 50 per cent of our production from the company's oilsands division and the balance from the light oil division," he said. "We will use the proceeds from the option exercise to implement this strategy."

The \$1.9-billion Athabasca-PetroChina deal last year also included the Dover project, which is expected to obtain regulatory approval about a year from now. Once it does, there will be an identical divestiture option.

The first phase of the MacKay River project is expected to produce 35,000 barrels per day, eventually expanding to 150,000 barrels. Construction of the project will begin next month with startup targeted for 2014.

It will use steam-assisted gravity drainage, or SAGD, technology to extract bitumen. Under SAGD, oilsands companies pipe steam underground to melt thick tar-like oilsands deposits. The oil is then collected through a second pipeline and pumped to the surface.

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